

Message Text

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USMISSION GENEVA 1408

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SUBJ: SWISS FINANCIAL AND ECONOMIC REPORT: WEEK AUG 8-14

1. SUMMARY: SWISS FRANC WEAKENED SLIGHTLY UNDER PRESSURE RELATED TO FLUCTUATIONS WITHIN SNAKE BUT CLOSED WEEK IN STRENGTHENING TREND. SWISS CREDIT BANK FORESEES RELATIVELY STABLE GOLD PRICE OVER NEXT TWO YEARS. NEW SF 500 MILLION CONFEDERATION LOAN ANNOUNCED. TAX REFUND ANNOUNCED ON 1939-46 BUSINESS PROFITS FOR FIRMS CREATING NEW JOBS. STRIKERS AT EDUARD DUBIED SA REJECT ARBITRATION COURT'S DECISION TO LET MANAGEMENT CUT BONUS. UNEMPLOYMENT RATE DROPS TO 0.6
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PERCENT. FEDERAL COUNCIL APPROVED INTERIM OBLIGATORY

UNEMPLOYMENT INSURANCE PLAN. HOFFMANN-LA ROCHE ASSURES
COVERAGE OF MATERIAL LOSSES AT SEVESO, ITALY.

FINANCIAL

2. FOREIGN EXCHANGE AND GOLD: FOREGIN EXCHANGE MARKET
NERVOUS; DOLLAR MOST ACTIVE TUESDAY AND THURSDAY; OTHERWISE
LOW TURNOVER. SWISS FRANC DECLINED SLIGHTLY THOUGH
CLOSED FRIDAY IN STRENGTHENING TREND. EXCHANGE DEALERS
VIEWED TREND RESULT FRANC SALES EARLY IN WEEK WHICH
COVERED FORWARD POSITIONS TAKEN IN OTHER CURRENCIES;
NEW FRANC PURCHASES END WEEKEND AS OTHER CURRENCIES
WEAKENED AGAINST DM. GOLD SHOWED SLIGHT INCREASE FLUCTUATING
WITHIN 75 CENT MARGIN. RATES FOLLOW:

	8/9 (OPEN)	8/13 (CLOSE)
SPOT DOLLAR	2.4825	2.4895
FORWARD DISCOUNTS (PCT. PMA.)		
ONE MONTH	- 4.76	- 4.82
TWO MONTHS	- 4.75	- 4.63
3 MONTHS	- 4.78	- 4.63
6 MONTHS	- 4.30	- 4.24
12 MONTHS	- 4.14	- 4.13
SF/DM	97.71	98.30
GOLD	112.5	113.00

3. GOLD: RECENT SWISS CREDIT BANK (SCB) ESTIMATE FORECASTS
TOTAL GOLD MARKET SUPPLY 1,350 TONS 1976 AND 1,400
TONS 1977 FROM THREE SOURCES: PRODUCTION WESTERN
COUNTRIES 950 TONS; SALES BY EASTERN COUNTRIES 250
TONS; AND SALES FROM OFFICIAL RESERVES 150 TONS 1976
AND 200 TONS 1977. SCB NOTES STRUCTURAL CHANGES GOLD DEMAND;
HOARDING AND INVESTMENT DURING 1973 AND 1974 GATE
WAY TO INCREASED INDUSTRIAL USES (85 PERCENT DEMAND)
AS DETERMINANT MARKET FACTOR 1975 PROVIDING MARKET
STABILITY. SCB ESTIMATES 15-20 PERCENT ANNUAL GROWTH
DEMAND FROM 1975 LEVEL OVER NEXT TWO YEARS FOR TOTAL
DEMAND 1,300 TO 1,350 TONS. DEMAND LESS THAN TOTAL MARKET
SUPPLY. SCB NONETHELESS FORESEES RELATIVE PRICE STABILITY,
NEITHER STRONG INCREASE NOR PRONOUNCED FALL, DESPITE
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IMF SALES. SCB BELIEVES MARKET REQUIRES SOME DEGREE
MANAGEMENT. RENEWED HIGH INFLATION OR SERIOUS POLITICAL
PROBLEMS COULD CAUSE SHARP PRICE RISE.

4. CAPITAL AND MONEY MARKETS: MARKETS CALM AND VERY
LIQUID. CALL MONEY RATE REMAINED 0.5 PERCENT. SELECTED
STOCKS ACTIVE; SKA INDEX (1959 EQUALS 100) UP TO 213.6
AUG 12. AVERAGE YIELD CONFEDERATION BONDS UP SLIGHTLY

TO 5.08. NEW CONFEDERATION LOAN ISSUE SF 500 MILLION WILL BE OFFERED PUBLIC AUG 20-26 IN TWO TRANCHES; SF 300 MILLION AT 98 PERCENT PAR WITH 5 PERCENT INTEREST FOR 15 YEARS AND SF 200 MILLION AT 99 PERCENT PAR WITH 4.5 PERCENT INTEREST FOR 6 YEARS. FINLAND ANNOUNCED SF 80 MILLION BORROWING WITH 6 PERCENT INTEREST FOR 15 YEARS. RECENT LOAN BY HYDRO-QUEBEC, MONTREAL, SF 50 MILLION AT 6 PERCENT INTEREST HEAVILY OVERSUBSCRIBED.

5. TAX REFUND: REIMBURSEMENT ANNOUNCED FOR 20 PERCENT TAXES ON BUSINESS PROFITS PAID DURING 1939-1946 FOR FIRMS CREATING NEW JOBS ON CONDITION FIRMS PROVIDE MATCHING FUNDS FROM OWN RESOURCES. PARTIAL OR FULL REFUND DEPENDS ON TYPE NEW INVESTMENT AND NUMBER NEW POSITIONS CREATED. APPLICANTS MUST FILE BEFORE END 1976.

ECONOMIC

6. LABOR DISPUTE: EMPLOYEES AT EDUARD DUBIED SA, NEUCHATEL, STRUCK MONDAY AFTER ARBITRATION COURT RULED MANAGEMENT COULD CUT THIRTEENTH MONTH BENEFIT BY 75 PERCENT DUE FIRM'S FINANCIAL DIFFICULTIES. DUBIED MANUFACTURES MACHINE TOOLS AND TEXTILE EQUIPMENT, EMPLOYS 1,000 IN THREE PLANTS. IRM EXPERIENCED PRODUCTION CUTBACK, PRIMARILY DUE DEPRESSED TEXTILE MACHINE SALES, FORCED LAYOFFS AND REDUCED OPERATING HOURS. STRIKERS REJECT ARBITRATION COURT JURISDICTION AND CALLING FOR REORGANIZATION ENTIRE FIRM STRUCTURE. PRESS COMMENT NOTES WITH CONCERN THAT SITUATION THIS MEDIUM SIZE PLANT WHICH EXPORTS 80 PERCENT OUTPUT MAY BE TYPICAL SUCH SWISS ENTERPRISES AS ECONOMY COMES OUT OF RECESSION IN THAT ALL FACE SOME PROBLEMS; EXCHANGE RATE DIFFICULTY DUE STRONG FRANC, SERIOUS FOREIGN COMPETITION WITH NEW DESIGNS AND SERIOUS INTERNAL STRUCTURAL PROBLEMS.

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7. UNEMPLOYMENT: TOTAL JOBLESS END JULY 15,422, DOWN 4,260 OR 21.6 PERCENT FROM END JUNE. UNEMPLOYED 0.6 PERCENT INCLUDES 4,079 FOREIGNERS. UNFILLED POSITIONS 5,269, UP 3.1 PERCENT FROM JUNE. IMPROVEMENT IN ALL SECTORS; LARGEST IN WATCH, BUILDING, METAL AND MACHINE INDUSTRIES. ACCORDING RECENT EMPLOYERS ASSOCIATION JOURNAL SURVEY, LARGEST SECTOR BY NUMBER EMPLOYED NOW BANKING AND INSURANCE WITH 49.4 PERCENT OF 2.7 MILLION WORK FORCE, INDUSTRY DOWN TO 44.4 PERCENT AND AGRICULTURE 6.2 PERCENT.

8. UNEMPLOYMENT INSURANCE: FEDERAL COUNCIL APPROVED INTRODUCTION INTERIM OBLIGATORY UNEMPLOYMENT INSURANCE PLAN WHICH WILL PROVIDE COVERAGE FOR ALL WORKERS, WHEREAS ONLY 40 PERCENT NOW COVERED, WITH CONTRIBUTION 4 PERCENT

OF SALARY EACH FROM EMPLOYEE AND EMPLOYER. PLAN WILL
RELIEVE BURDEN ON PUBLIC FUNDS FOR FINANCING; EXPECTED
RAISE SF 560 MILLION SUBSCRIPTIONS WHICH SHOULD COVER
ANNUAL COMPENSATION CONTINGENCIES AS WELL AS FUND ADMINISTRATION.
FINAL OBLIGATORY UNEMPLOYMENT INSURANCE PROGRAM EXPECTED
GO INTO EFFECT APR 1977. SWISS TRADE UNIONS FEDERATION
CRITICIZED INTERIM PLAN FOR HAVING TOO LOW WAGE CUT-OFF
POINT FOR COMPENSATION AND BECAUSE IT IS NOT COORDINATED
WITH OTHER NATIONAL SOCIAL INSURANCE PROGRAMS.

9. SEVESO ACCIDENT: HOFFMANN-LA ROCHE MANAGEMENT ANNOUNCED
IN RECENT PRESS CONFERENCE THAT FIRM WOULD STAND
BY ITS GENEVA SUBSIDIARY WHOSE NORTHERN ITALY
BRANCH RELEASED POISONOUS TCDD GAS AS RESULT
INDUSTRIAL ACCIDENT. BOARD PRESIDENT JANN ASSURED THAT
MATERIAL LOSSES WILL BE FULLY COVERED, STRESSED NEED
FOR MEASURES PROTECT LIVES AND DECONTAMINATE AREA.
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